

Before the
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Parcel Select & Parcel Return Service
Parcel Select & Parcel Return Service Contract 2

Docket No. MC2009-40

Competitive Product Prices
Parcel Select & Parcel Return Service Contract 2
(MC2009-40)
Negotiated Service Agreement

Docket No. CP2009-61

PUBLIC REPRESENTATIVE COMMENTS IN RESPONSE TO UNITED STATES
POSTAL SERVICE REQUEST TO ADD PARCEL SELECT & PARCEL RETURN
SERVICE CONTRACT 2 TO COMPETITIVE PRODUCT LIST AND NOTICE OF
ESTABLISHMENT OF RATES AND CLASS NOT OF GENERAL APPLICABILITY

(September 2, 2009)

In response to Order No. 288,¹ the Public Representative hereby comments on
the August 21 Request of the United States Postal Service to Add Parcel Select &
Parcel Return Service Contract 2 to Competitive Products List and Notice of
Establishment of Rates and Class Not of General Applicability (Request).

For a competitive products pricing schedule *not of general applicability*,² the
Postal Service must demonstrate that the contract will comply with 39 USC 3633(a): It

¹ Commission Order 288, Notice and Order Concerning Parcel Select & Parcel Return Service Contract 2 Negotiated Service Agreement, August 25, 2009.

² See 39 C.F.R. 3015.5.

will not allow market dominant products to subsidize competitive products, it will ensure that each competitive product covers its attributable costs; and enable competitive products as a whole to cover their costs (contributing a minimum of 5.5 percent to the Postal Service's total institutional costs).

The Request [and its accompanying documentation (under seal)] is persuasive. Each element of 39 USC 3633(a) appears to be met by Parcel Select & Parcel Return Service (PS&PRS) Contract 2.

The Public Representative has accessed and reviewed all materials the United States Postal Service submitted under seal in this matter, documentation in its original (not redacted) version. Discussion of salient issues follows.

Accountability and Confidentiality

The Postal Service Request contains a rationale for maintaining confidentiality concerning pricing, processes which enable discounted pricing, the attendant formulae and other contractual terms which are matters of commercial sensitivity.³ Here, it would appear that the Postal Service has concisely justified the extent of confidentiality appropriate in this matter, providing a brief explanation for maintaining the confidentiality of each aspect of the matters remaining under seal.

³ Postal Service Request, Attachment F, *Application for Non-Public Treatment of Materials*.

Compliance with Statutory Requirements

This NSA is a two-year contract, with an optional third year. Cost coverage and pricing data appear to comport with the analysis for Governors' Decision 09-12 (August 3, 2009). The instant PS&PRS Contract 2 NSA Notice and supporting data (as filed, under seal) indicate that the proposed CP2009-61 contract is appropriately categorized as a Competitive Product. The Governors' Decision 09-12 (Attachment A, at 1) attests that the Governors reviewed management's analysis of the contract. The Governors' vote in the August 3 Decision was certified by the Secretary of the Board of Governors. The NSA and its accompanying Notice comply with all relevant requirements of the Commission's procedural rules as codified in 39 CFR. The pricing agreed to in this contract appears to generate sufficient revenue to cover attributable costs for this PS&PRS NSA, enable competitive products as a whole to cover their costs, and contribute a minimum of 5.5 percent to the Postal Service's total institutional costs.⁴

As noted in the Postal Service's Response to Order 119, filed October 27, 2008, the Postal Service now takes cost data directly from cost data systems. The Postal Service developed mail processing and delivery costs for Parcel Post single-piece, Parcel Select and PRS using the In-Office Cost System (IOCS) and Carrier Cost Systems (CCS) and deriving transportation costs from the Transportation Cost System (TRACS). However, mail processing and transportation cost analyses for Parcel Select

⁴ 39 C.F.R. 3015.7(c).

and Parcel Return Services in the Annual Compliance Review is pending review in Docket No. RM2009-10.

The Postal Service requests Modification of Analytic Principles in Periodic Reporting in Proposal Fourteen (Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider Proposed Changes in Analytic Principles [Proposals Three-Nineteen], July 28, 2009). In Order No. 269 (July 31, 2009), the Commission noted:

Proposal Fourteen takes advantage of the fact that FY 2008 mail processing and transportation cost data are separately available for single-piece Parcel Post, Parcel Select, and Parcel Return Service. This makes it possible to develop mail processing and transportation cost models for each product that separate costs by point of entry. The proposed cost models are presented in library references under seal. See Library Reference USPS-RM2009-10/NP2, Nonpublic Materials Relating to Proposals Fourteen and Eighteen.

The Commission's determination on the costing methodology for Parcel Select Service and Parcel Return Service might impact the data supplied for the instant contract, since costs for each service may now be determined by point of entry into the Postal Service mailstream. However, using the data available in this Request, the Public Representative must concede that pricing for this PS&PRS NSA appears to fully comply with the 3-pronged requirements of 39 USC 3633(a), and with the other pricing, cost coverage and contribution provisions of title 39.

This PS&PRS contract is designed to help acquire new volume for the Postal Service, and provide incentives for the other party. These factors promote the value of

this agreement to the Postal Service throughout the two-year life of the contract. In so doing, they also provide a benefit to the general public as their Postal Service takes advantages of efficiencies achieved through increased volumes.

Conclusion

The Public Representative acknowledges that the pricing in the present PS&PRS Contract 2 comports with provisions of title 39.

In addition to having the mailer prepare mailings for less costly handling by the Postal Service, the contract employs pricing incentives based upon volumes and other provisions favorable to both the Postal Service and the public.

The Public Representative respectfully submits the preceding Comments for the Commission's consideration.

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